

Message Text

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PAGE 01 NEW DE 13216 301902Z
ACTION NEA-10

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E.O. 11652: NA
TAGS: BTRV, US, IN
SUBJECT: PHARMACEUTICALS-ABBOTT PLANS FOR EQUITY DILUTION

REF: (A) STATE 214423 (B) NEW DELHI 12862

1. JAMES D. ANDRESS, V.P. FAR EAST DIV., ABBOTT LABS,
CALLED AT EMBASSY AUG 29 WITH ABBOTT MANAGING DIRECTOR FOR
INDIA, RUSY LANGRANA, TO APPRISE DCM AND COMMERCIAL COUNSELOR
OF ABBOTT PROGRESS TOWARD RESOLVING EQUITY DILUTION UNDER
FERA AND TO SEEK ADVICE ON CURRENT ECONOMIC DEVELOPMENTS AND GOI
ATTITUDES.

2. ANDRESS SAID HE AND LANGRANA HAD QUITE SATISFACTORY
MEETING WITH OFFICIALS IN MIN CHECMICALS AND FERTILIZERS AUG 28
AND HAD INFORMED THEM OF ABBOTT WILLINGNESS TO DILUTE TO 40
PERCENT EQUITY WITHOUT DELAY, WITH TWO-THIRDS OF DIVESTED
EQUITY TO GO TO PUBLIC SECTOR FINANCIAL INSTITUTION.

3. ANDRESS VOICED SINGLE MAJOR RESERVATION THAT ANY ABBOTT
BOARD MEMBER APPOINTED BY PUBLIC SECTOR INSTITUTION
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COULD NOT BE AN OFFICIAL OF A COMPETING PUBLIC SECOTR
DRUG FIRM SUCH AS HINDUSTAN ANTIBIOTICS LTD., (HAL)) R INDIA
DRUGS & PHARMACEUTICALS LTD. (IDPL). SUCH APOINTMENT,
ANDRESS SAID, WOULD PERFORCE RESLT IN IMMEDIATE WITHDRAWAL
OF ABBOTT FROM INDIA ALONG WITH ITS PROCESSES AND PATENTS.
MIN CHEMICALS AND FERTILIZERS OFFICIALS APPEARED TO UNDER-
STAND AND AGREE WITH ABBOT RESERVATION ON THIS POINT AND

ATMOSPHERE DURING MEETING WAS REPORTED BY ANDRESS TOBE
QUITE FRIENDLY DESPITE PREVIOUS DIFFICULTIES DABBOT HAS
HAD WITH MINISTRY.

4. ANDRESS OBSERVED RESOLUTION OF THE EQUITY DILUTION
QUESTION WAS OF TOP PRIORITY SINCE GOI HAS CUT GACK SUPPLY
OF RAW MATERIALS TO 1970 LEVEL AND PLANT HAS ONLY BEEN
RUNNING AT PART CAPACITY. ABBOT HAS ALSO LOST GOOD NUMBER
OF ITS MOST EXPERIENCED STAFF TO COMPETING FIRMS OWING TO
UNCERTAIN FUTURE.

5. DURING CONVERSATION WITH EMBOFFS, ANDRESS AND LANGRANA
NOTED ADVERSE PUBLICITY GIVEN IN LOCAL PRESS TO ATTEMPTS OF
SURESH SHAH, ASSISTED BY VINCE RAKESTRAW, (REF -) TO OBTAIN 20
PERCENT ABBOTT EQUITY THROUGH RELAXATION FERA RULES.
ANDRESS SAID (PLEASE HOLD VERY CLOSELY) THAT ABBOTT NOW
RECONSIDERING VALUE OF SURESH SHAH EQUITY PARTICIPATION,

6. ANDRESS AND LANGRAA WILL SEE SECRETARY MIN FINANCE
MAN MOHAN SINGH AUGUST 30 AND POSSIBLY C AND F MINISTER
BAHUGANA TO SEPPED RESOLUTION ABBOTT DIFFICULTIES AND
THEREBY BRING INDIAN SUBSIDIARY BACK TO FULL PRODUCTION.
GOHEEN

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